



## PublicSectorViews

**CGI UK: SETTING THE WHITEHALL STRATEGY**

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## CGI UK: Setting the Whitehall strategy

### A year of change

There has been a lot of change at **CGI** in the UK. A new UK CEO – Tara McGeehan – in place since January this year (see [CGI moves quickly: instates new UK President](#)). And, also, some new faces on the UK leadership team.

We recently met with Michael Herron, who has been the VP leading the UK's Central Government Business Unit since the beginning of the year. He was previously VP Business Unit Leader for the UK's South region. And before that BU leader for Health, Local Government and Scotland where he led and landed the Glasgow City Council deal. Indeed, his public-sector experience spans back considerably further than that, as he was Senior Director, Public sector for nearly four years from the beginning of 2014. Prior to that, he had 14 years of public sector experience with his previous company, Fujitsu. Indeed, having started his career as a Civil Servant it's evident he gets the public-sector way.

### Addressing a lack of direction

In our view, prior to Herron taking on his new role, the public-sector business – and the central government business in particular - had been lacking in any real direction.

Over the years, complacency had set in; CGI's UK public sector revenues grew year-on-year thanks to several healthy long-term relationships with clients inherited from both the **Logica** and **CMG** sides of the business (as well as the early days of following the acquisition by CGI). In central government, they include the Crown Prosecution Service, Ministry of Justice and the Home Office. Outside central government key clients included the Ministry of Defence and a handful of NHS Trusts. Even post the infamous Maude Moment meetings of 2010 (when the largest suppliers to Government (including Logica) were called in to see then-Cabinet Minister Francis Maude and renegotiate their contracts), CGI's growth in the public sector continued. In 2013 and 2014, we estimate its UK public sector business grew between 3% and 4%.

Then, just as things were getting tougher for the large SIs in Whitehall, and CGI like others started to see some of its large legacy ICT services deals reshaped, CGI more than filled the revenue gap with some big wins in Scotland, most notably its large IT transformation deal with Edinburgh City Council (see [CGI beats Capita to Edinburgh deal](#)). As a result, a 4% decline in public sector revenues in 2015 turned to a 17% increase in 2016. Edinburgh has been a tough contract to get right and a large amount of attention was, understandably, focused on getting that to work. At the same time, CGI UK made some bets aligned to the corporate IP30 goal, i.e. that 30% of revenues should come from IP by 2020. One outcome was its Digital Collaboration Platform (DCP), which it developed with Little British Battler, SME, **Infoshare** (see [UKHotViews archive](#)), and was borne out of experience working with public protection agencies; though DCP gained significant interest in the market, it wasn't a short-term revenue earner.

What the central government business was lacking was a broader strategic direction of travel and an answer for the UK public sector regarding 'what CGI really wants to be known for?'. If we look back at the pre-CGI Logica days, the answer to that question was far clearer: with a strong suit in the space, defence and national security sectors, the company was trusted with the development and support of mission critical systems. Its complex systems engineering capabilities were viewed as a strength. While those elements of the business haven't disappeared, the addition of a broader range of CGI capabilities, has resulted in a dilution of the message.

### Bringing clarity

Herron is bringing some clarity back, while aligning CGI's proposition with the demands of the market. Recent wins and growth in existing clients has returned the central government business to quarter-on-quarter growth. His strategy is not to compete with in-house teams or the Digital Specialist, but to play to CGI's strengths, which he sees in four key areas:

- *Application Management Services (AMS)*. CGI highlights the work it has done with the Ministry of Justice. It's work for the department was recognised at the Global Sourcing Association (GSA) UK Awards 2018;

CGI was acknowledged in two award categories. Herron highlights CGI's proprietary application console, which gives a RAG view of all the applications and enables rules-based decisions and analytics. The console provides real-time insight on business metrics in the applications (e.g. revenue generated) as well as performance and up-time data. Mean time to repair (MTTR) has been minimized and the real-time view can be accessed anywhere (including on mobile), anytime and ensures CGI cultivates an environment and culture of proactive continuous improvements for clients and citizens.

- *Application Development (AD)*. This offering has three elements, all based on the GDS' Service Design Manual and Technology Code of Practice:
  - a. Firstly, the *development of new front-end applications*; CGI has increased its 'digital' employee base in its Central Government Business Unit from 20% of its workforce in November 2017 to 40% of its workforce in July 2018. Herron plans to improve this to 60% of the workforce by the end of this year. The key examples of this are with existing clients e.g. on digital reform with the MoJ (see [new Juror Digital system](#)).
  - b. Secondly, the *modernisation of existing applications*, or in Herron's words, "making the elephant dance"; the approach belies the need for a rip & replace of legacy systems. CGI has a powerful reference site at the Crown Prosecution Service (CPS) where it has modernised the front-end of its case management system (CMS), and integrated with a redesigned, agile, back-end system. This agile approach is based on phased, component-based modernisation, to enable expensive back-end technology to be retired. Herron sees this as a key differentiator for CGI in the market because very few Government Departments have tackled the retirement of their 'back-end' systems.
  - c. Lastly, the *development of new agile solutions for business-critical processes*; CGI has several examples, like its work to develop the greenfield application, RIMNET (see [CGI glows on RIMNET news](#)), the UK Radioactive Monitoring Network.
- *Next-generation infrastructure*. Drawing on the capabilities and expertise of CGI's Global Technology Operations business unit, Herron is focused on opportunities involving significant transformation (new tooling, automation etc.). CGI will not go after traditional hosting or end user compute opportunities unless part of a full ITO or broader applications focused deal. opportunities.
- *AI & RPA*. CGI has won several discrete RPA pieces of work, automating back office processes; clients include the Legal Aid Agency and one of their secure Government accounts. The size of the deals is small (sub £1m) and the procurement processes is time-consuming, but Herron is seeing opportunities, albeit generally Proof of Concept or Proof of Value stage. This is set to be a key focus area.

Herron is also aware that this market approach needs to be backed up with other initiatives. He highlights that CGI is due to relaunch its SME Accelerate programme to leverage partnerships with innovative players. It is also creating an 'Emerging Technology Practice', which will be on a larger scale than its previous Innovation practice. He is also continuing to leverage the 'Best of CGI' by translating the innovative work carried out in other areas of its business (for example in the Space, Defence & Intelligence business) and its applicability to Government. It's also encouraging that Herron is starting to address the lack of prominence of the CGI brand in the marketplace.

## TechMarketView Opinion

CGI has many strengths. Some solid long-term relationships, experience in complex systems engineering of mission critical systems, and backed up with compelling reference sites in space, defence and security. However, it has struggled to get the message to market.

Getting that message across now is more important than ever, because CGI needs to spread its wings. In central government, in particular, its business has been highly concentrated in a few key clients, particularly in the justice arena. In pursuing agile, digital development, or RPA and AI opportunities, the size of deals will be in the few million-pound range, even for projects at scale, versus the multimillion pound deals it was used to in the past. That will necessitate penetrating a far greater array of organisations if it is to continue to grow in public sector. We have seen some progress; as an example, it now has some work with a new client, DWP

(cyber security consultancy and penetration testing) and last week a new win at HMRC. These are two new name clients for CGI and so we are starting to see evidence that Herron's approach is working. And Brexit opportunities are likely to fall neatly into some of CGI's proposition buckets (within application development). But, securing new clients will require CGI to be very clear about what it can offer over and above the incumbents or the in-house ICT teams. We expect to see CGI draw on its CPS reference to alert clients and prospects to a tried-and-tested way of moving away from their legacy systems with minimal risk over time.

The difficulty will be that at the 'headline' level, the range of offerings doesn't make CGI stand out from the crowd. Like most of the traditional IT services players, the differentiator comes in the detail. In CGI's case, that will be in replicating its competence in managing complex applications estates in new areas of Government, demonstrating how it can leverage its domain expertise outside of space, defence and justice into other areas (e.g. satellite technology for Defra or the Department for Transport), and helping departments understand the relevance of the technology to them.

Our view is that will involve a far heavier consultancy-led approach to move CGI up the value chain. That will only be possible by developing trust through compelling case studies, a strong alliance and partner network, a commitment to invest in developing emerging technologies, and some bravery in commercial relationships. There is much to work on. These are not all strengths for CGI; it's previous SME partner programme lacked commitment, we saw little revenue generation from its previous Innovation practice, and it is not renowned for its consultancy prowess. However, it is positive to see the direction of travel set and the evidence-based investment in the development of agile and digital capability is an indicative sign of the progress. Herron is well aware what needs to be achieved and with the early successes he is well underway on the journey, albeit with eyes open to the size of the challenge that lies ahead.

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